

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
FEBRUARY 27, 1996
CHICAGO, ILLINOIS**

A Regular Meeting of the Illinois Gaming Board was held on February 27, 1996 in Room 503 on the 16th floor of the James R. Thompson Center, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Thomas Swoik and Kevin Lockhart, Assistant Legal Counsel Mac Ryder, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. The Board by unanimous consent adjourned to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matter:

1. Issues Concerning Applicants and Licensees
2. Recommendations of Administrative Law Judges
3. Pending and Probable Litigation Matters
4. Closed Session Minutes

The Illinois Gaming Board reconvened in Open Session at 12:57 p.m.

Member Vickrey moved that the Board approve the minutes from the open and closed sessions of the January 23, 1996 regular meeting and special meeting of February 8, 1996. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business was the Administrator's Report.

Administrator Belletire reported that Adjusted Gross Receipts ("AGR") for January were approximately \$94.8 million -- a 1.6 percent decrease from December 1995, but a 7.2 percent increase from comparable figures for January 1995. Six licensees (Grand Victoria, Harrah's, Empress, Hollywood, Par-A-Dice and Casino Queen) showed increases in January '96 over the January '95 totals. The Elgin Grand Victoria attained the highest monthly AGR followed by Harrah's and Empress. Casino Rock Island reported that AGR for January was \$1.11 million, its lowest total monthly AGR to date.

The Administrator referenced various monthly reports. He reported that a new format for reporting monthly gaming statistics was in development. The revised format will have comparative tables and will report both Win per Admission/month and Win per Patron/month. The new report will show cumulative figures reflected on a calendar year to date instead of fiscal year to date. It will also compare current monthly activity to the previous month, as well as to the same month in the prior year. The Administrator stated that the Annual Report will be submitted to the Governor by March 1 and be available to the public in mid-March. He further stated that several bills had been introduced into the General Assembly that affect the Riverboat Gambling Act and gaming in general and that he desired to discuss at least two bills at this time. The first, SB1670, prohibits the installation of all forms of electronic funds transfer mechanisms such as ATM's, and prohibits, as well, all extension of credit and the cashing of all checks on licensed riverboats. The second bill, SB1522, creates the Video Gambling Act. It would require the Gaming Board to administer and regulate video gambling on the premises of veteran and fraternal organizations across the State. This is a form of land based gambling. The Administrator noted several technical flaws with this bill such as grandfathering provisions, costs associated with setting up the electronic system to link these machines, an unjustifiably low gaming tax, and insufficient safeguards over the electronic/EPROM type of activity. The Administrator expressed serious reservations about this measure and requested guidance from the Board.

Member Browder moved that the Board direct the Administrator to express the Board's opposition to SB1522 on the grounds discussed by the Administrator. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

Lastly, the Administrator stated that each licensee was given a format for economic impact information and was requested to provide information ranging from their payrolls and full-time employment, to their procurement and capital improvements, from inception through December 31, 1995. He stated that this information has been compiled and analyzed and that the Board will publish a report based on this research. The Administrator commended Douglas O'Brien and all licensees on their cooperation in collecting and compiling this information.

The next order of business was Items Concerning Owner Licensees.

Charles A. Smith and David Daley, representing the Par-A-Dice Gaming Corporation, updated the Board on actions taken in response to the resolution passed February 8, 1996. Mr. Daley stated that on February 21, a letter of intent was signed by both Par-A-Dice and Clarence Schielein's attorney. Mr. Daley stated that Par-A-Dice's goal is to repurchase the shares from Clarence Schielein.

Regarding the variation of the shares being repurchased, Mr. Daley stated the following:

The negotiations were difficult as you might expect because of the circumstances. The most difficult thing about them was agreeing on a formula by which we could value the shares. We used the hybrid formula.

We used the provisions of our existing shareholders agreement with respect to half the shares. One provision states, "That if a shareholder owns shares and he is not approved by the Gaming Board to hold those shares, then he will return those shares, resell those shares to the corporation at cost." So with respect to half the shares, that half that presumably are owned by Mr. David Schielein through his father, Mr. Schielein is receiving back only cost. With respect to the second half of the shares, our existing shareholders agreement doesn't provide an adequate formula for valuing those shares. So, we went to a shareholders agreement which we are proposing, not today, but which we are now discussing with our shareholders. The formula used from that agreement for the remaining half of the shares is based upon a multiple of net income, net pre-tax income, with the minority and marketability discount. The remaining half of the shares are being purchased under that formula. *In short the agreed price is cost for half the shares and the formula price under the proposed agreement with respect to the second half of the shares.*

Member Pyatt asked what Par-A-Dice is going to do in the future to prohibit undisclosed ownership. Mr. Daley stated that provisions will be made for a new shareholders agreement to provide a mechanism for divesting shareholders of their shares if a similar situation were to occur. Chairman Johnson asked staff to review existing shareholder agreements to determine what provisions are set forth regarding the acquisition of an ownership interest by a licensee. He expressed a desire for commonality among the licensees' shareholder agreements regarding divestiture and the obligations of each investor.

Member Cudmore moved that the Board renew and extend the resolution adopted at its February 8, 1996, special meeting, and that Par-A-Dice Gaming Corporation, Clarence Schielein and David Schielein comply with the orders contained in that resolution no later than March 15, 1996. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Mr. Smith further requested renewal of the Par-A-Dice Gaming Corporation's owner's license. Mr. Smith noted steps taken by Par-A-Dice in the past year to adhere to the requirements of the Board. He noted specifically that ground had been broken on a new hotel for East Peoria. The hotel, being developed by the Par-A-Dice investors, is scheduled to open in the fall of 1996.

Administrator Belletire reported that Par-A-Dice adhered to the concerns of last year's renewal stipulations and the revised owner's renewal application. Mr. Belletire recommended Par-A-Dice for renewal.

Member Pyatt moved that the Board renew the owner's license of Par-A-Dice Gaming Corporation for a one year period commencing in February of 1996. In renewing this license, the Board sets forth the following matters of concern:

1. Subject to further action by the Board, Par-A-Dice is to take all steps necessary to effectuate the order of the Board dated February 8, 1996 with regard to the divestiture of ownership interest.
2. The Board requests the continued cooperation of Par-A-Dice in the analysis of the economic impact of gaming.

Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Michael Ficaró, representing Southern Illinois Riverboat Casino Cruises ("SIRCC"), requested renewal of SIRCC's owner's license.

The Administrator discussed several items of concerns that are being addressed by the licensee and recommended SIRCC for renewal.

Member Vickrey moved that the Board renew the Owner's license of Southern Illinois Riverboat Casino Cruises, Inc. hereinafter referred to as ("SIRCC") for a one year period commencing in February of 1996. In renewing this license, the Board takes note of the following items of concern:

1. SIRCC and its parent, Player's International, Inc., are to modify their procedures and practices regarding distributions from SIRCC to its parent corporation.
2. SIRCC and its parent, Player's International, are to formalize, subject to the approval of the Administrator, an inter-company agreement for the provision of and the payment for corporate management services. SIRCC's payments under this inter-company agreement shall not be calculated as a percentage of adjusted gross receipts, but be based on SIRCC's allocated share of applicable corporate costs and charges.
3. The purchasing process and the related internal control requirements of SIRCC should be structured in a manner consistent with the recommendations of the IGB audit Staff.
4. The Board requests the continued cooperation of SIRCC in the analysis of the economic impact of gaming.

Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

John Janicik, representing Casino Queen, Inc., requested approval of the game "Let It Ride".

Member Vickrey moved that the Board approve Casino Queen's request for approval of "Let It Ride" as an authorized game to be offered at Illinois riverboat gaming operations. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote.

Kevin Larson, representing Empress River Casino Corporation, requested approval for Empress to provide its corporate guaranty of a bank line secured by its affiliate, Lake Michigan Charters, Ltd. Chairman Johnson asked for clarification on the use of funds under this financing and a prior Empress debt offering.

Member Cudmore moved that the Board approve the guaranty of indebtedness in the amount of up to \$50 million provided by Empress River Casino Corp. for its affiliate Lake Michigan Charters, Ltd. under a revolving credit facility with Bank of America. Member Browder seconded the motion. The motion was approved by voice vote four to one, Chairman Johnson voting in opposition.

Donna B. More, representing Elgin Riverboat Resort, requested approval of Arthur M. Smith as a member of the Board of Directors of Circus Circus.

Member Pyatt moved that the Board approve Arthur Smith as a member of the Board of Directors of Circus Circus Enterprises, Inc. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote.

Administrator Belletire requested the Board to clarify a motion made at the January 23, 1996 Board meeting regarding Susan Clark-Jackson.

Member Vickrey moved that the Board clarify that Susan Clark-Jackson was approved as a member of the Board of Directors of Harrah's Entertainment, Inc. at the January 23, 1996 Board meeting. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Supplier Licensees.

William Kunkle, representing Progressive Games, requested renewal of their supplier's license.

Member Pyatt moved that the Board approve Progressive Games' application for renewal of its supplier's license. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote.

Member Browder moved that the Board approve GDC Inc.'s application for renewal of its supplier's license. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Michael Ficaro, representing U.S. Playing Card Company, requested renewal of their supplier's license.

Member Vickrey moved that the Board approve U.S. Playing Card Company's application for renewal of its supplier's license. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote.

Member Cudmore moved that the Board approve Joseph McQuaid as a Key Person of Aerie Hotels and Resorts, Inc. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Occupational Licensees.

Member Pyatt moved that the Board adopt the staff recommendation and approve the applications for an Occupational License, Level 1, for: Natalie Baum and Patrick Dennehy. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board adopt the staff recommendations and approve 142 applications for an Occupational License, Level 2, and 302 applications for an Occupational License, Level 3, and deny 2 applications for an Occupational License, Level 2, and deny 33 applications for an Occupational License, Level 3. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Administrative Hearings/ALJ Reports.

Member Pyatt moved that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and suspend the license of Richard Kulpa for ninety days, said suspension to run concurrently with the suspension imposed by the United States Coast Guard. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and deny the application of Brian Hartline. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board grant Pamela Robinson's request to reapply within one year from the date of her denial. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board grant the motions for reconsideration and issue occupational licenses to Ronald Hanlon and Michael Woods. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board deny the hearing requests submitted by the following applicants due to their failure to comply with Board Rule 3000.405:

Baltazar Argamaso
Reynaldo Punzalan
Cheryl Thacker

Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Complaints and Disciplinary Actions.

Member Cudmore moved that the complaint for disciplinary action against 83 individuals be issued and that the Occupational Licenses of those individuals be revoked. The complaint involves the submission of false information by the 83 individuals regarding their immigration status. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Board Policy/Discussion Items.

Mac Ryder, Assistant Legal Counsel for the Board, informed the Board that staff received notice from JCAR accepting rules 3000.230 involving the owners' duty to disclose information to the Board; and, 3000.236 involving the renewal of Owner Licenses in a more efficient and expeditious process. He stated that JCAR will consider these rules at a March 28 meeting. Mr. Ryder reported that JCAR finalized, with no objection, the first set of rules published last June with one recommendation: "JCAR recommends that after the Board has some experience with authorizing the use of complimentary chips and tokens it shall amend section 3000.636(a)(2) to set forth the standards by which it will consistently determine that the dollar value of complimentary chips and or tokens is not excessive." Mr. Ryder recommend that the Board proceed to adopt these rules as final.

Member Vickrey moved that the Board accept the recommendation of the Joint Committee on Administrative Rules regarding the rulemaking initially published at 19 Illinois Register 7490. He further move that the Board authorize the Administrator to prepare a final notice of adopted rules to be submitted to the Secretary of State. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Public Commentary.

Reverend Tom Grey, representing the Concerned Citizens of Jo Daviess County, addressed the Board in rebuttal to several of the comments made at the last Board meeting regarding riverboat gaming in Jo Daviess County. Rev. Grey rebutted Mr. Barklow's comment that "except for a few individuals in the County who are against gaming for moral reasons, the majority wants gaming to continue". Reverend Grey stated that he has spoken publicly about the economic, political and social impacts of gambling and feels Mr. Barklow misrepresented the people of Jo Daviess County.

Regarding Judith Gratton's statement that "the Board (Jo Daviess County) is unanimously behind having another boat and will do whatever is necessary to make that happen", Rev. Grey stated that the citizens of Jo Daviess (by a 60% turn-out and an 81% vote) do not want their government to aid or support riverboat gambling.

Chairman Johnson thanked Reverend Grey for his comments and suggested that some of his concerns would be better served by addressing the elected bodies of Jo Daviess County. Member Browder noted that it is important for the Board to hear and recognize the different points of view within the community.

Becky Tippet, citizen of Jo Daviess County and a former Silver Eagle employee, asked that the Board not allow HP, Inc. to keep its "inactive license". She asked that the Board give the group coming before them in March a chance to take over the Jo Daviess license. She spoke to what she believed to be poor treatment of employees by Silver Eagle management.

There being no further business to come before the Board, Member Pyatt moved that the Board stand adjourned. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote and the Board adjourned at 2:30 p.m.

Respectfully Submitted,

Susan A. Offord
Secretary of the Board